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The Iran Money Flow: Tracing the Complex Steps

By JEFF GERTH

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WASHINGTON, Dec. 14 — Investigators are still trying to map the complex flow of money used in the Iranian arms transactions, but they have concluded that the operation had several reasons: The arms sales themselves required secrecy; the relationship among the participants was politically sensitive, and the disposition of the proceeds may have involved illegalities.

At this point in the investigation, according to Congressional and other government investigators, both ends of the financial chain remain unclear: the source of the money used to pay for the American arms shipped to Iran and the disposition of the extra profits left over, which Attorney General Edwin Meese 3d has estimated at \$10 million to \$30 million. Although Mr. Meese has said these profits were diverted to aid the Nicaraguan rebels, many questions have been raised about whether this amount of assistance actually reached the contras and where else it might have gone.

For at least some of the sales, in 1986 when the diversion took place, the money flow went essentially like this:

¶ Since the Iranians declined to pay for the arms in advance, the original funding came from and through a Saudi Arabian businessman, Adnan M. Khashoggi, who acted as a guarantor for Iran. He deposited \$25 million to \$30 million in advance in a Swiss bank account controlled by Lieut. Col. Oliver L. North. It is still not clear where all of Mr. Khashoggi's money came from.

¶ That \$25 million to \$30 million was the price established by the United States and apparently agreed to by Iran. This price substantially exceeded the American cost of the arms as accounted for on Pentagon books, which was \$12 million. The \$12 million was paid back to the United States via another Swiss bank account controlled by the Central Intelligence Agency. The C.I.A., in turn, reimbursed the Defense Department.

¶ The rest of the money remained under the control of Colonel North and his associates. These associates included Maj. Gen. Richard V. Secord, retired, and his business partner, Albert Hakim. The three are known to have had joint control of at least one Swiss account, which the Justice Department has asked Swiss authorities to monitor.

¶ Some of this leftover money was apparently used by Colonel North and his associates to supply the contras. Part

may also have gone for commissions to arms dealers, though all the participants have denied any such fees. In addition, it has been reported that some of this money may have gone for American political activities.

Public and Private

This account suggests that although the sale of arms was between two Governments, the financial details were largely handled by private individuals. Some of these individuals, like Mr. Khashoggi and Mr. Hakim, have a history of using Swiss bank accounts to divert money and make questionable payments, according to public records.

Had the finances of the arms sale been handled by the United States Government, various laws and regulations would have prevented or limited the deal. For example, the C.I.A. would have needed Congressional authorization to spend any of its money on the deal, and military laws and regulations would have prevented any diversion, limited any commissions to \$50,000 and possibly required disclosure to Congress.

No one involved in the deal has yet to testify under oath. Nor have any bank records been subpoenaed or examined, a crucial step in any financial investigation. It could take years to gather all the evidence — for example, it took the Securities and Exchange Commission more than two years to get Mr. Khashoggi to testify under oath during its investigation in the 1970's into questionable payments by American military contractors in the Middle East.

Testimony and Interviews

But some information has been developed. Mr. Meese questioned Colonel North and examined some documents at the National Security Council, which led the Attorney General to announce last month that \$10 million to \$30 million had been diverted for the contras from 1986 arms sales to Iran. William J. Casey, the Director of Central Intelligence, and others have testified before Congress.

Furthermore, Mr. Khashoggi and the Iranian middleman in the deal, Manucher Ghorbanifar, gave limited interviews last week to ABC News. Other accounts and documents support some of their statements to the network, although contradicting others. Both Mr. Khashoggi and Mr. Ghorbanifar were experiencing cash-flow problems during the time of the sales, according to documents, which show, among other things, that checks to Mr. Khashoggi from the Iranian middleman went uncollected for as long as six weeks.

A partial reconstruction of the finances of the deal, based on these various sources, begins chronologically in

August 1985, when the first shipment of arms took place, with the help of various Israelis. The Israelis appear to have played a minimal financial role in the 1985 deals and no financial role in those this year.

A \$1 Million Advance

In August 1985, Mr. Khashoggi advanced \$1 million to the Israelis to pay for the first shipment and was paid back by Mr. Ghorbanifar, acting on behalf of the Iranian Government, that same month. Mr. Ghorbanifar's check, drawn on the Geneva branch of Credit Suisse Bank, was deposited in Mr. Khashoggi's account at the Monte Carlo office of the Banque Libano Française, copies of bank records show.

Mr. Khashoggi immediately transferred the \$1 million to an account at Credit Suisse, records show, but it is not clear who controlled the account or where the money went from there.

In September 1985, another shipment of arms occurred, again with the assistance of the Israelis. Mr. Khashoggi advanced \$4 million and was repaid that month by Mr. Ghorbanifar.

By early 1986, when the next shipment took place, the Israeli arms dealers were no longer involved with Mr. Khashoggi and Mr. Ghorbanifar. Mr. Khashoggi has said he advanced \$10 million in March to an account at Credit Suisse controlled by Colonel North. The account was in the name of Lake Resources.

Lake Resources was organized as a Panamanian Corporation in May 1985 by Swiss accountants tied to Mr. Hakim. The company's address in Fribourg, Switzerland, is the same as that of Mr. Hakim's company, Stanford Technology. Lake Resources was dissolved last month, soon after the first disclosure of the arms sales.

U.S. Request on Accounts

The Lake Resources account is one of the two accounts that the Justice Department has asked the Swiss Government to monitor. This is the same account Colonel North used earlier this year when he sought money from a Texas businessman, H. Ross Perot, to possibly ransom some of the American hostages in Lebanon.

Copies of bank records show that an account at the Monte Carlo office of the Saudi-connected Bank of Credit and Commerce International, apparently controlled by Mr. Khashoggi, advanced \$12 million to an unknown destination on Feb. 7, 1986.

The records further show that Mr. Ghorbanifar wrote four checks of \$3 million each on Feb. 26 to pay back the \$12 million. The \$12 million, however, was not fully collected until April 11, the records show, suggesting that Mr. Ghorbanifar was experiencing a cash-flow problem.

Mr. Khashoggi himself was experiencing financial difficulties at the time. He has said that he borrowed money from investors in Canada and the Cayman Islands to finance the Iranian-connected advances in 1986.

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Role of 2 Canadians

Congress has been told that two Canadian businessmen who are close associates of Mr. Khashoggi, Donald Fraser and Ernest Miller, were two such lenders, according to a Government official. Mr. Fraser and Mr. Miller are closely tied to two Cayman Island companies that lent Mr. Khashoggi and one of his companies tens of millions of dollars in early 1986, according to public records. Where Mr. Fraser and Mr. Miller got their money is not clear. A Canadian paper reported that Mr. Miller received tens of millions of dollars earlier this year from a bank in Hong Kong.

The overlapping financial dealings suggest that Mr. Khashoggi's financing of the arms sale was an extension of his other commercial activities.

It was also around this time, beginning in February, that Mr. Casey has told Congress that the C.I.A. received four checks from an unknown number of accounts totaling about \$12 million, according to Government officials familiar with the testimony. The corporate names of one of these accounts is Lake Resources.

The next shipment of arms took place in May of 1986. Mr. Khashoggi has said he advanced \$15 million to the Lake Resources account, to guarantee payment for the Iranian purchase. Both he and Mr. Ghorbanifar, however, have said that the Iranians repaid only \$5 million of the advance, leaving a shortfall of \$10 million, plus an additional \$1.5 million in interest due to Mr. Khashoggi's lenders who advanced him the \$15 million.

2 Transactions Scrapped

Facing financial difficulty, Mr. Khashoggi apparently did not finance two subsequent arms shipments last summer and last fall, and it is not known how these transactions were structured. Mr. Khashoggi apparently repaid the \$11.5 million to his associates at a later date, avoiding a dispute that might have exposed the secret Iran dealings.

It is not known if he recovered the \$11.5 million, but a Khashoggi associate said a Saudi bank closely linked to the ruling Saudi royal family provided Mr. Khashoggi with \$35 million last summer. The bank, the National Commercial Bank of Saudi Arabia, is the only Saudi bank not regulated by the Saudi monetary authority, the Khashoggi associate added.

Mr. Khashoggi has said he was not aware of the diversions to the contras. Mr. Ghorbanifar did ask him to help finance the contras, an offer Mr. Khashoggi said he refused. But one of Mr. Khashoggi's associates in the deal, Roy Furmark, came to suspect that money was being diverted, Congressional officials said they were told.

The Justice Department has named Mr. Hakim and General Secord as the other two people besides Colonel North suspected of being involved in the diversion. There are a series of circumstantial ties linking the men.

Swiss Company Bought Planes

At least one of the Swiss accounts controlled by Colonel North was also controlled by General Secord and Mr. Hakim, according to Swiss officials. A Swiss company linked to Mr. Hakim, Compagnie de Services Fiduciaries, paid for the purchase of aircraft for use on behalf of the contras, according to sources familiar with the transaction.

General Secord directed the purchase of the craft, the sources added. General Secord and Mr. Hakim are joint owners of the Stanford Technology Trading Group International, according to public records. Officials of the company, including General Secord, have been tied to support for the contras, based on accounts of pilots and phone records. Finally, Stanford Technology had the same address in Geneva as C.S.F., the Swiss company suspected of acting as a conduit through which some of the diverted Iranian arms money flowed.